

Message Text

CONFIDENTIAL

PAGE 01 BAGHDA 00758 01 OF 02 081426Z
ACTION NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 SOE-02
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08
DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-05 ICA-11 OES-07 SP-02 SS-15 STR-07
TRSE-00 ACDA-12 PA-01 FRB-03 XMB-02 OPIC-03
LAB-04 SIL-01 JUSE-00 /182 W
-----060639 081456Z /45

R 081146Z APR 78
FM USINT BAGHDAD
TO SECSTATE WASHDC 5982
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY ANKARA
AMEMBASSY BONN
AMEMBASSY CARACUS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 BAGHDAD 0758

E.O. 11652: GDS
TAGS: ENRG, ETRD, OPEC, TU, IZ
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BAGHDA 00758 01 OF 02 081426Z

SUBJECT: GOI OFFICIAL DOWNPLAYS OIL MINISTER'S CALL FOR
ALTERNATIVE TO OPEC'S DOLLAR PRICING

REF: (A) BAGHDAD 0523, (B) BAGHDAD 0572

1. SUMMARY. PRESIDENT OF IRAQI STATE ORGANIZATION FOR
OIL MARKETING TOLD USINT OFFICERS APRIL 6 THAT IRAQ'S

MAIN INTEREST IN OIL PRICING IS TO PRESERVE THE "PURCHASING POWER OF A BARREL OF OIL" AND THAT IRAQ ENVISAGED NO SPECIFIC ALTERNATIVE TO OPEC'S DOLLAR PRICING. IMPLYING THAT PRESS REPORTS HAD EXAGGERATED OIL MINISTER ABDUL KARIM'S CALL FOR A SWITCH FOR DOLLAR PRICING, OFFICIAL SAID THAT OPEC'S CHANGING FROM DOLLAR PRICING AS A STANDARD OF VALUE WOULD BE LIKE ITS ABANDONING THE BARREL AS A UNIT OF MEASURE. CLAIMING NOT TO MIX OIL AND POLITICS, HE SAID HIS ORGANIZATION HAD EXCELLENT RELATIONS WITH U.S.-BASED OIL COMPANIES AND HAD TO MAINTAIN A BALANCE BETWEEN DELIVERIES AND PAYMENTS IN REGARD TO TURKEY. HIS MAJOR PROBLEM WITH U.S. FIRMS IS BOYCOTT. END SUMMARY.

2. OIL PRICING. RAMZI SALMAN, PRESIDENT OF THE IRAQI STATE ORGANIZATION FOR OIL MARKETING, TOLD USINT OFFICERS IRAQ WAS FOLLOWING THE LEAD OF IRAN AND KUWAIT IN CALLING FOR MEASURES TO PRESERVE THE PURCHASING POWER OF OIL. THERE COULD BE NO DOUBT, HE SAID, THAT OPEC COUNTRIES NOW HAD TO PRODUCE AND SELL MORE CRUDE TO IMPORT THE SAME AMOUNT OF GOODS. IRAQ WOULD FAVOR ANY OPEC MEASURES WHICH OFFERED A SOLUTION TO THIS PROBLEM. CITING RECENT PRESS REPORTS QUOTING OIL MINISTER ABDUL KARIM AS CALLING FOR OPEC TO ADOPT AN ALTERNATIVE TO DOLLAR PRICING, USINT OFFICER ASKED IF THE GOI FAVORED ANY PARTICULAR ALTERNATIVE. SALMAN SAID THAT OPEC'S CHANGING FROM DOLLAR PRICING WOULD BE AKIN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BAGHDA 00758 01 OF 02 081426Z

TO ITS ABANDONING THE BARREL. IN REGARD TO SDR'S, HE NOTED THAT IF OPEC HAD SWITCHED TO PRICING BASED ON SDR'S IN 1974, OPEC WOULD HAVE LOST PURCHASING POWER UNTIL DECEMBER 1977 COMPARED TO ITS CONTINUED DENOMINATION OF PRICES IN DOLLARS.

3. SALMAN SAID THAT "VISUAL EFFECTS" WERE CAUSING A DECLINE IN THE VALUE OF THE DOLLAR NOT MERITED BY U.S. ECONOMIC CONDITIONS. HE NOTED U.S. TRADE DEFICITS WERE LARGE BUT NOT OF GREAT SIGNIFICANCE WHEN COMPARED TO THE SIZE OF THE U.S. ECONOMY. JAPAN AND GERMANY, HE THOUGHT, HAD PARTICULARLY BENEFITED FROM OPEC'S PRICE FREEZE, COUPLED WITH THE DOLLAR'S DECLINE. SALMAN ALLEGED THAT WESTERN COUNTRIES WERE WELCHING ON PROMISES TO USE THE PERIOD OF THE OIL PRICE FREEZE TO STABILIZE WOULD ECONOMIC CONDITIONS.

4. USINT OFFICER ASSURED SALMAN THAT THE U.S. WAS NOT FOLLOWING A POLICY OF ALLOWING THE DOLLAR TO DECLINE AND IS WORKING TO AMELIORATE THE U.S. TRADE BALANCE. IN FACT, IF THE DOLLAR APPRECIATES AS A RESULT, OPEC'S SWITCH FROM THE DOLLAR AT A LOW POINT TO ANOTHER STANDARD OF VALUE AT A HIGH POINT COULD COST OPEC DEARLY. SALMAN ACKNOWLEDGED THIS IS AN OBVIOUS CONCERN AND NOTED THAT KUWAIT HAD MADE

THAT MISTAKE SOME YEARS AGO IN SWITCHING FROM STERLING TO DOLLAR PRICING.

5. PRODUCTION PROGRAMMING. IN REPLY TO INQUIRY ABOUT DETAILS OF IRAQ'S PROPOSALS FOR PRODUCTION PROGRAMMING, SALMAN SAID THAT THE IDEA WAS NOT NEW. HE THEN POINTED OUT THAT SAUDI ARABIA DOMINATED OPEC POLICY MAKING. IF SAUDI ARABIA IS GOING TO IMPOSE PRICES, IT SHOULD ALSO BE WILLING TO CUT PRODUCTION TO ABSORB SURPLUSES.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BAGHDA 00758 02 OF 02 081451Z
ACTION NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 SOE-02

AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08

DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-05 ICA-11 OES-07 SP-02 SS-15 STR-07

TRSE-00 ACDA-12 PA-01 FRB-03 XMB-02 OPIC-03

LAB-04 SIL-01 JUSE-00 /182 W

-----061013 081455Z /45

R 081146Z APR 78

FM USINT BAGHDAD

TO SECSTATE WASHDC 5983

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY ANKARA

AMEMBASSY BONN

AMEMBASSY CARACUS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 2 OF 2 BAGHDAD 0758

6. SALES TO THE U.S. AND BOYCOTT. SALMAN ATTRIBUTED THE GROWTH IN THE AMOUNT OF IRAQI CRUDE DESTINED FOR U.S. CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BAGHDA 00758 02 OF 02 081451Z

CONSUMPTION IN PAST YEAR AND A HALF TO THE INCREASING INTEREST OF U.S.-BASED MULTINATIONAL OIL COMPANIES IN PURCHASING FROM IRAQ. HE REPEATEDLY SAID THT HIS ORGANIZATION DOES NOT MIX POLITICS WITH OIL SALES AND THAT IT HAD EXCELLENT RELATIONS WITH THESE COMPANIES.

7. PROBLEMS HE HAD WITH U.S. COMPANIES WERE IN REGARD TO HIS ORGANIZATIONS'S PURCHASES FROM THEM, RATHER THAN VICE VERSA. U.S. TRADE POLICIES WERE CONFUSING, PARTICULARLY THE NEW ANTIBOYCOTT REGULATIONS. FOR EXAMPLE, HE HAD TO SMUGGLE INTO IRAQ SPARE PARTS FOR HIS U.S.-MADE EQUIPMENT. WHEN USINT OFFICER MENTIONED THAT GOI REGULATIONS WAIVE IRAQI BOYCOTT REQUIREMENTS IN SUCH CASES, HE SAID THE PROCESS WAS DIFFICULT AND AS A GOOD ADMINISTRATOR HE WOULD REPLACE WORN OUT U.S. EQUIPMENT WITH THAT FROM OTHER SOURCES TO AVOID SUCH PROBLEMS IN THE FUTURE.

8. OIL RESERVES HE REFUSED TO BE DRAWN OUT ON THE SIZE OF IRAQI RESERVES SAYING ONLY THAT MUCH OF IRAQ HAS NOT YET BEEN EXPLORED.

9. TURKISH OIL ARREARAGES. ASKED ABOUT REPORTS OF IRAQ'S CUTTING THE FLOW OF CRUDE TO TURKEY BECAUSE OF LARGE ARREARAGES, HE SAID THAT DELIVERIES THROUGH TURKEY HAD NEVER STOPPED AND THAT THE PIPELINE AGREEMENT WAS WORKING PERFECTLY; HOWEVER, CONCERNING SALES TO TURKEY, HIS ORGANIZATION HAD TO MAINTAIN A BALANCE BETWEEN DELIVERIES AND PAYMENTS. DIVORCING HIS ORGANIZATION FROM THE POLITICAL ASPECTS OF THIS PROBLEM, HE SAID HOW TURKEY WAS TO MEET ITS DEBTS WAS A PROBLEM FOR OTHERS.

10. COMMENT. THIS WAS FIRST MEETING EVER OF USINT OFFICERS WITH A RANKING IRAQI OIL OFFICIAL. SINCE OUR OFFICE OPENED CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BAGHDA 00758 02 OF 02 081451Z

IN 1972, GOI HAS PREVENTED ACCESS OF USINT OFFICERS TO IRAQI OIL OFFICIALS. INTERVIEW REPRESENTS BREAK-THROUGH IN THIS REGARD, AND SALMAN SEEMED WILLING TO CONTINUE THE DIALOGUE IN THE FUTURE.

11. THOUGH SALMAN DISAVOWED ANY POLICY ROLE IN REGARD TO

OIL MATTERS, USINT BELIEVES HIS DOWNPLAYING OF OIL MINISTER'S CALL FOR AN ALTERNATIVE TO OPEC 'S DOLLAR PRICING IS SIGNIFICANT. HE IS UNLIKELY TO HAVE TAKEN A POSITION ON THIS ISSUE WITHOUT SEEKING GUIDANCE FROM HIGHER AUTHORITIES. HIS COMMENTS COULD REFLECT THE RUMORED DIFFERENCES BETWEEN RCC VICE CHAIRMAN SADDAM HUSSEIN (WHO CHAIRS THE OIL AFFAIRS FOLLOW UP COMMITTEE) AND OIL MINISTER ABDUL KARIM. IT IS EVEN MORE LIKELY THAT HIS COMMENTS REFLECT THE FREQUENT DISCREPANCIES BETWEEN WHAT GOI OFFICIALS PUBLICLY AVOW IN REGARD TO OIL MATTERS AND WHAT THEY ARE WILLING TO CONSIDER SERIOUSLY. IN THIS CASE, THE OIL MINISTER'S STATEMENTS BUTTRESS OFF-REPEATED THEMES EMPHASIZING U.S. ECONOMIC IMPERIALISM AND THE GROWING ECONOMIC CRISIS IN WESTERN COUNTRIES. SALMAN'S LESS IDEOLOGICAL APPROACH SHOWS THE REGIME'S PRAGMATIC SIDE. MACK

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, PETROLEUM, PRICES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BAGHDA00758
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780152-0704
Format: TEL
From: BAGHDAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780478/aaaacoie.tel
Line Count: 240
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0eb6aab3-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 BAGHDAD 523, 78 BAGHDAD 572
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3031460
Secure: OPEN
Status: NATIVE
Subject: GOI OFFICIAL DOWNPLAYS OIL MINISTER'S CALL FOR ALTERNATIVE TO OPEC'S DOLLAR PRICING
TAGS: ENRG, ETRD, TU, IZ, OPEC, (SALMAN, RAMZI)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0eb6aab3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014